

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
HUMESTON, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

Year Ended June 30, 2020

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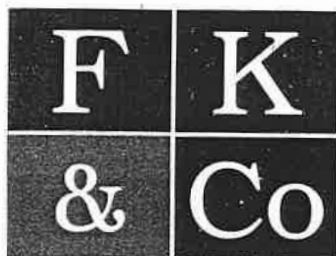
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<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>Board of Education</b>		
Patrick Evans	President	2023
Marc Smiarowski	Vice President	2021
Elizabeth Dachenbach	Board Member	2023
Stephanie Bear	Board Member	2023
Jeremy Cromer	Board Member	2021
<b>School Officials</b>		
Kerry Phillips	Superintendent	Indefinite
Peggy Rash	District Secretary/ Treasurer/Business Manager	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite
Verle W. Norris	Attorney	Indefinite

Mormon Trail Community School District



**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

Independent Auditor's Report

To the Board of Education of  
Mormon Trail Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District (District), Humeston, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 7 through 13 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLLC

February 17, 2021

Mormon Trail Community School District (District) provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## 2020 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,569,492 in fiscal year 2019 to \$3,300,816 in fiscal year 2020, while General Fund expenditures decreased from \$3,396,289 in fiscal year 2019 to \$3,374,879 in fiscal year 2020. The District's General Fund balance decreased from \$1,027,791 at the end of fiscal year 2019 to \$953,728 at the end of fiscal year 2020, a 7.2% increase.
- The fiscal year 2020 General Fund revenue decrease was attributable to decreased property taxes and unrestricted state grants. The decrease in expenditures was due primarily to a small general decrease in all expenditure categories.
- The District continues to make significant improvements to its facilities and equipment, including technology, from the use of Physical Plant and Equipment Levy funds and the Statewide Sales, Services and Use Tax funds.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds.

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.



The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

<b>Figure A-1</b> <b>Condensed Statement of Net Position</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Current and other assets	\$ 12,442	4,664	123	96	12,565	4,760	164.0%
Capital assets	2,000	2,015	40	39	2,040	2,054	-0.7%
Total assets	14,442	6,679	163	135	14,605	6,814	114.3%
Deferred outflows of resources	341	382	10	14	351	396	-11.4%
Long-term liabilities	8,883	1,615	40	50	8,923	1,665	435.9%
Other liabilities	553	493	9	4	562	497	13.1%
Total liabilities	9,436	2,108	49	54	9,485	2,162	338.7%
Deferred inflows of resources	1,847	1,542	6	3	1,853	1,545	19.9%
Net position:							
Net investment in							
capital assets	2,000	1,847	40	39	2,040	1,886	8.2%
Restricted	1,948	1,889	-	-	1,948	1,889	3.1%
Unrestricted	(448)	(325)	78	53	(370)	(272)	-36.0%
Total net position	\$ 3,500	3,411	118	92	3,618	3,503	3.3%

The District's total net position increased by nearly 3.3%, or approximately \$115,000, from the prior year.

A large portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$59,000, or 3.1% from the prior year. The increase in restricted net position was mainly due to funds restricted for management levy purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$98,000 or 36.0%. The deficit balance in unrestricted net position was primarily a result of the District's net pension liability and other postemployment benefits liability balance at June 30, 2020.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

<b>Figure A-2</b> <b>Changes in Net Position</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Program revenues:							
Charges for service	\$ 260	324	43	57	303	381	-20.5%
Operating grants, contributions and restricted interest	686	718	124	117	810	835	-3.0%
General revenues:							
Property tax	1,433	1,390	-	-	1,433	1,390	3.1%
Income surtax	77	72	-	-	77	72	6.9%
Statewide sales, services and use tax	263	273	-	-	263	273	-3.7%
Unrestricted state grants	1,338	1,454	-	-	1,338	1,454	-8.0%
Unrestricted investment earnings	27	51	-	-	27	51	-47.1%
Gain on sale of assets	4	1	-	-	4	1	300.0%
Other	56	29	-	-	56	29	93.1%
Total revenues	4,144	4,312	167	174	4,311	4,486	-3.9%
Program expenses:							
Governmental activities:							
Instruction	2,509	2,446	-	-	2,509	2,446	2.6%
Support services	1,204	1,169	-	-	1,204	1,169	3.0%
Non-instructional programs	1	-	141	162	142	162	-12.3%
Other expenses	341	232	-	-	341	232	47.0%
Total expenses	4,055	3,847	141	162	4,196	4,009	4.7%
Change in net position	89	465	26	12	115	477	-75.9%
Net position beginning of year	3,411	2,946	92	80	3,503	3,026	15.8%
Net position end of year	\$ 3,500	3,411	118	92	3,618	3,503	3.3%

In fiscal year 2020, property tax and unrestricted state grants accounted for 66.9% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100.0% of the revenue from the business type activities. The District's total revenues were approximately \$4.311 million of which approximately \$4.144 million was for governmental activities and approximately \$167,000 was for business type activities.

As shown in figure A-2, the District as a whole experienced a 3.9% decrease in revenues and a 4.7% increase in expenses. The decrease in revenue was due to a decrease in unrestricted state grants. The increase in expenses was primarily due to increases in other expenses.

### Governmental Activities

Revenues for governmental activities were \$4,144,653 and expenses were \$4,055,152 for the year ended June 30, 2020. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2020 compared to the year ended June 30, 2019.

	2020	2019	2019-2020	2020	2019	2019-2020
Instruction	\$ 2,509	2,446	2.6%	1,727	1,565	10.4%
Support services	1,204	1,169	3.0%	1,158	1,127	2.8%
Non-instructional programs	1	-	100.0%	1	-	100.0%
Other expenses	341	232	47.0%	223	113	97.3%
Totals	\$ 4,055	3,847	5.4%	3,109	2,805	10.8%

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$260,353. This is mainly open enrollment in monies, operational sharing and preschool revenue.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$686,365.
- The net cost of governmental activities was financed with \$1,773,365 in property and other taxes and \$1,337,576 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$167,616 representing a 3.7% decrease under the prior year while expenses totaled \$140,895, a 13.3% decrease under the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$10,164,857 well above last year's ending fund balances of \$2,661,311. The primary reason for the increase in combined fund balances at the end of fiscal year 2020 is approximately \$7.4 million of unexpended bond proceeds received in fiscal year 2020.

### Governmental Fund Highlights

- The District's General Fund financial position declined in fiscal year 2020. We have attempted to match revenues with expenditures in order to avoid deficit spending. The staff and administration have worked hard to keep costs to a minimum while still offering our students the best education possible.

The General Fund balance decreased from \$1,027,791 to \$953,728 a 7.2% decrease. This decrease was due to a decrease in monies received from local taxes and from state sources.

- The Debt Service fund balance was \$0 at June 30, 2019 and June 30, 2020. This fund accounts for the payment of our long-term debt. No revenues were received into this fund in either fiscal year. The only monies received into this fund consist of transfers in from other funds.

- The Capital Projects Fund balance increased from \$1,159,043 at the end of fiscal year 2019 to \$8,452,192 at the end of fiscal year 2020. The District continues to bring in more money into this fund than what it spends from this fund. In addition, the District has approximately \$7.363 million of unexpended bond proceeds in this fund as of June 30, 2020. This would account for the increase in the fund balance from fiscal year 2019 to fiscal year 2020.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$213,911 less than budgeted revenues, a variance of approximately 4.8%. The most significant variance resulted from the District receiving less money from local sources than originally anticipated.

Total expenditures should be less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amounts budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2020, the District had invested approximately \$2.040 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 0.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$199,318 for both governmental and business type activities.

The original cost of the District's capital assets was approximately \$4.7 million. Governmental funds account for approximately \$4.6 million, with the remainder of approximately \$96,000 accounted for in the Proprietary, School Nutrition Fund.

During the year, the increase in assets was due to the purchase of new vehicles, equipment, building improvements and land for the new addition to the Humeston building. The decrease in net assets during the year was due to depreciation expense incurred in the year.

**Figure A-4**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 79	16	-	-	79	16	393.8%
Construction in progress	48	-	-	-	48	-	100.0%
Buildings	1,239	1,295	-	-	1,239	1,295	-4.3%
Improvements other than buildings	261	277	-	-	261	277	-5.8%
Furniture and equipment	373	427	40	39	413	466	-11.4%
Totals	\$ 2,000	2,015	40	39	2,040	2,054	-0.7%

### Long-Term Debt

At June 30, 2019, the District had \$7,517,000 in total long-term debt outstanding. This represents an increase of 4374.4% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$9.0 million.

In March 2020, the District's voters authorized the issuance of \$5,515,000 of general obligation bonds to pay for construction of a new building addition in Humeston. Planning for the project started in fiscal year 2019 and the bonds were sold during fiscal year 2020. In June 2020, the District issued \$1,738,000 of Statewide Sales, Services and Use Tax revenue bonds for the project. The District had total outstanding bonded indebtedness at June 30, 2020 of \$7,253,000.

The bus lease also decreased due to the scheduled payment of existing debt.

**Figure A-5**  
**Outstanding Long-term Obligations**  
**(Expressed in Thousands)**

	Total District June 30,		Total Change June 30,
	2020	2019	2019-2020
General obligation bonds, net	\$ 5,779	-	100.0%
Revenue bonds	1,738	-	100.0%
Bus lease	-	168	-100.0%
Totals	\$ 7,517	168	4374.4%

#### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The District has taken measures to maintain the current facilities. The District is currently free from any general obligation debt obligations.
- Local option sales and services tax revenues have a significant impact on building improvements.
- Grants are sought to help with educational improvements in the District.
- Several building and grounds improvements are being done to keep facilities in good condition.
- The District issued \$7,253,000 in bonds in June 2020. The District plans to use this money for a building addition to the Humeston school building.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Peggy Rash, District Secretary/Treasurer and Business Manager, Mormon Trail Community School District, 403 S. Front St., Box 156, Humeston, Iowa 50123.

## Basic Financial Statements

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 10,590,004	101,438	10,691,442
Receivables:			
Property tax:			
Delinquent	23,651	-	23,651
Succeeding year	1,609,611	-	1,609,611
Accounts	251	233	484
Due from other governments	218,782	14,210	232,992
Inventories	-	6,868	6,868
Capital assets, net of accumulated depreciation	1,999,887	40,190	2,040,077
<b>Total assets</b>	<b>14,442,186</b>	<b>162,939</b>	<b>14,605,125</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	341,548	10,139	351,687
<b>Total deferred outflows of resources</b>	<b>341,548</b>	<b>10,139</b>	<b>351,687</b>
<b>Liabilities</b>			
Accounts payable	106,109	3,785	109,894
Salaries and benefits payable	251,235	-	251,235
Due to other governments	192,095	-	192,095
Unearned revenue	-	5,445	5,445
Accrued interest payable	3,131	-	3,131
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	268,198	-	268,198
Early retirement	7,581	-	7,581
Portion due after one year:			
General obligation bonds	5,510,777	-	5,510,777
Revenue bonds	1,738,000	-	1,738,000
Early retirement	1,516	-	1,516
Net pension liability	1,322,679	39,265	1,361,944
Total OPEB liability	35,052	-	35,052
<b>Total liabilities</b>	<b>9,436,373</b>	<b>48,495</b>	<b>9,484,868</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,609,611	-	1,609,611
Pension related deferred inflows	207,413	6,157	213,570
OPEB related deferred inflows	30,200	-	30,200
<b>Total deferred inflows of resources</b>	<b>1,847,224</b>	<b>6,157</b>	<b>1,853,381</b>
<b>Net position</b>			
Net investment in capital assets	1,999,887	40,190	2,040,077
Restricted for:			
Categorical funding	100,072	-	100,072
Management levy purposes	672,219	-	672,219
Student activities	86,718	-	86,718
School infrastructure	1,040,835	-	1,040,835
Physical plant and equipment	47,944	-	47,944
Unrestricted	(447,538)	78,236	(369,302)
<b>Total net position</b>	<b>\$ 3,500,137</b>	<b>118,426</b>	<b>3,618,563</b>

See notes to financial statements.

**Functions / Programs:****Governmental activities:****Instruction:**

Regular instruction	\$ 1,512,280	102,322	402,735	-	(1,007,223)	-	(1,007,223)
Special instruction	430,970	53,921	130,900	-	(246,149)	-	(246,149)
Other instruction	565,574	89,979	2,084	-	(473,511)	-	(473,511)
	<u>2,508,824</u>	<u>246,222</u>	<u>535,719</u>	<u>-</u>	<u>(1,726,883)</u>	<u>-</u>	<u>(1,726,883)</u>

**Support services:**

Student	42,691	-	-	-	(42,691)	-	(42,691)
Instructional staff	170,945	-	-	-	(170,945)	-	(170,945)
Administration	502,488	-	-	-	(502,488)	-	(502,488)
Operation and maintenance of plant	282,755	-	-	-	(282,755)	-	(282,755)
Transportation	205,332	14,131	32,491	-	(158,710)	-	(158,710)
	<u>1,204,211</u>	<u>14,131</u>	<u>32,491</u>	<u>-</u>	<u>(1,157,589)</u>	<u>-</u>	<u>(1,157,589)</u>

**Non-instructional programs**

	964	-	-	-	(964)	-	(964)
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**Other expenditures:**

Facilities acquisition	59,508	-	-	-	(59,508)	-	(59,508)
Long-term debt interest	9,103	-	-	-	(9,103)	-	(9,103)
Long-term debt bond issuance costs	97,913	-	-	-	(97,913)	-	(97,913)
AEA flowthrough	118,155	-	118,155	-	-	-	-
Depreciation (unallocated)*	56,474	-	-	-	(56,474)	-	(56,474)
	<u>341,153</u>	<u>-</u>	<u>118,155</u>	<u>-</u>	<u>(222,998)</u>	<u>-</u>	<u>(222,998)</u>

**Total governmental activities**

	4,055,152	260,353	686,365	-	(3,108,434)	-	(3,108,434)
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**Business type activities:****Non-instructional programs:**

Food service operations	140,895	43,527	123,606	-	-	26,238	26,238
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**Total**

	<u>\$ 4,196,047</u>	<u>303,880</u>	<u>809,971</u>	<u>-</u>	<u>(3,108,434)</u>	<u>26,238</u>	<u>(3,082,196)</u>
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**General Revenues:****Property tax levied for:**

General purposes					\$ 1,337,514	-	1,337,514
Capital outlay					95,823	-	95,823
Statewide sales, services and use tax					263,071	-	263,071
Income surtax					76,957	-	76,957
Unrestricted state grants					1,337,576	-	1,337,576
Unrestricted investment earnings					27,790	483	28,273
Gain on sale of assets					3,700	-	3,700
Other					55,504	-	55,504

**Total general revenues**

	<u>3,197,935</u>	<u>483</u>	<u>3,198,418</u>
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**Change in net position**

	89,501	26,721	116,222
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**Net position beginning of year**

	<u>3,410,636</u>	<u>91,705</u>	<u>3,502,341</u>
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**Net position end of year**

	<u>\$ 3,500,137</u>	<u>118,426</u>	<u>3,618,563</u>
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\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.



Balance Sheet  
Governmental Funds

June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 1,317,686	-	8,515,711	756,607	10,590,004
Receivables:					
Property tax:					
Delinquent	16,344	-	1,581	5,726	23,651
Succeeding year	966,378	387,381	179,702	76,150	1,609,611
Accounts	200	-	51	-	251
Due from other funds	-	-	90,124	-	90,124
Due from other governments	197,039	-	21,743	-	218,782
<b>Total assets</b>	<b>\$ 2,497,647</b>	<b>387,381</b>	<b>8,808,912</b>	<b>838,483</b>	<b>12,532,423</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 15,819	-	86,894	3,396	106,109
Salaries and benefits payable	251,235	-	-	-	251,235
Due to other governments	192,095	-	-	-	192,095
Due to other funds	-	-	90,124	-	90,124
Total liabilities	<u>459,149</u>	<u>-</u>	<u>177,018</u>	<u>3,396</u>	<u>639,563</u>
<b>Deferred inflows of resources:</b>					
Unavailable revenues:					
Succeeding year property tax	966,378	387,381	179,702	76,150	1,609,611
Other	118,392	-	-	-	118,392
Total deferred inflows of resources	<u>1,084,770</u>	<u>387,381</u>	<u>179,702</u>	<u>76,150</u>	<u>1,728,003</u>
<b>Fund balances:</b>					
Restricted for:					
Categorical funding	100,072	-	-	-	100,072
Management levy purposes	-	-	-	672,219	672,219
Student activities	-	-	-	86,718	86,718
School infrastructure	-	-	8,404,248	-	8,404,248
Physical plant and equipment	-	-	47,944	-	47,944
Unassigned	853,656	-	-	-	853,656
Total fund balances	<u>953,728</u>	<u>-</u>	<u>8,452,192</u>	<u>758,937</u>	<u>10,164,857</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,497,647</b>	<b>387,381</b>	<b>8,808,912</b>	<b>838,483</b>	<b>12,532,423</b>

See notes to financial statements.

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2020

**Total fund balances of governmental funds (page 17)** **\$ 10,164,857**

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

1,999,887

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

118,392

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.

(3,131)

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources  
Deferred inflows of resources

\$ 341,548  
(237,613)

103,935

Long-term liabilities, including bonds payable, early retirement payable, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(8,883,803)

**Net position of governmental activities (page 15)**

**\$ 3,500,137**

See notes to financial statements.

Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,062,116	-	95,309	345,192	1,502,617
Tuition	190,206	-	-	-	190,206
Other	74,838	-	22,605	64,374	161,817
Intermediate sources	8,815	-	-	-	8,815
State sources	1,833,930	-	259,181	-	2,093,111
Federal sources	130,911	-	-	-	130,911
Total revenues	3,300,816	-	377,095	409,566	4,087,477
Expenditures:					
Current:					
Instruction:					
Regular	1,454,728	-	-	68,464	1,523,192
Special	417,265	-	-	1,750	419,015
Other	476,148	-	-	2,573	478,721
	2,348,141	-	-	72,787	2,420,928
Support services:					
Student	41,459	-	-	142	41,601
Instructional staff	131,791	-	37,142	368	169,301
Administration	404,166	-	77,231	31,464	512,861
Operation and maintenance of plant	227,552	-	1,750	13,158	242,460
Transportation	103,615	-	38,400	6,223	148,238
	908,583	-	154,523	51,355	1,114,461
Non-instructional programs	-	-	-	964	964
Other expenditures:					
Facilities acquisition	-	-	177,956	-	177,956
Long-term debt:					
Principal	-	168,258	-	-	168,258
Interest charges	-	5,972	-	-	5,972
Bond issuance costs	-	-	97,913	-	97,913
AEA flowthrough	118,155	-	-	-	118,155
	118,155	174,230	275,869	-	568,254
Total expenditures	3,374,879	174,230	430,392	125,106	4,104,607
Excess (deficiency) of revenues over (under) expenditures	(74,063)	(174,230)	(53,297)	284,460	(17,130)
Other financing sources (uses):					
Sale of capital assets	-	-	3,700	-	3,700
Issuance of general obligation bonds	-	-	5,515,000	-	5,515,000
Premium on general obligation bonds	-	-	263,976	-	263,976
Issuance of revenue bonds	-	-	1,738,000	-	1,738,000
Transfers in	-	174,230	-	-	174,230
Transfers out	-	-	(174,230)	-	(174,230)
Total other financing sources (uses)	-	174,230	7,346,446	-	7,520,676
Change in fund balances	(74,063)	-	7,293,149	284,460	7,503,546
Fund balances beginning of year	1,027,791	-	1,159,043	474,477	2,661,311
Fund balances end of year	\$ 953,728	-	8,452,192	758,937	10,164,857

See notes to financial statements.

## Mormon Trail Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2020

**Net change in fund balances - total governmental funds (page 19)** **\$ 7,503,546**

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 178,032	
Depreciation expense	<u>(193,027)</u>	(14,995)

Because some revenues will not be collected for several months after the year end, they are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.

53,475

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(7,253,000)	
Repaid	168,258	
Increase in general obligation bond premiums	<u>(263,975)</u>	(7,348,717)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(3,131)

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.

164,449

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	4,329	
Early retirement	(9,097)	
Pension expense	(247,406)	
OPEB expense	<u>(12,952)</u>	<u>(265,126)</u>

**Change in net position of governmental activities (page 16)**

**\$ 89,501**

Statement of Net Position  
Proprietary Fund

June 30, 2020

	<u>Non-Major Enterprise Fund - School Nutrition</u>
<b>Assets</b>	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 101,438
Accounts receivable	233
Due from other governments	14,210
Inventories	6,868
Total current assets	<u>122,749</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	40,190
Total noncurrent assets	<u>40,190</u>
<b>Total assets</b>	<u>162,939</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>10,139</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	3,785
Unearned revenue	5,445
Total current liabilities	<u>9,230</u>
Noncurrent liabilities:	
Net pension liability	39,265
Total noncurrent liabilities	<u>39,265</u>
<b>Total liabilities</b>	<u>48,495</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>6,157</u>
<b>Net Position</b>	
Net investment in capital assets	40,190
Unrestricted	<u>78,236</u>
<b>Total net position</b>	<u>\$ 118,426</u>

See notes to financial statements.

## Mormon Trail Community School District

Exhibit H

Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund

Year ended June 30, 2020

	<u>Non-Major Enterprise Fund - School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 42,755
Miscellaneous	772
Total operating revenue	<u>43,527</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	51,901
Benefits	6,135
Purchased services	1,478
Supplies	75,090
Depreciation	6,291
Total operating expenses	<u>140,895</u>
Operating loss	<u>(97,368)</u>
Non-operating revenues:	
State sources	1,303
Federal sources	122,303
Interest income	483
Total non-operating revenues	<u>124,089</u>
Increase in net position	26,721
Net position beginning of year	<u>91,705</u>
Net position end of year	<u>\$ 118,426</u>

See notes to financial statements.

## Mormon Trail Community School District

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2020

	Nonmajor Enterprise Fund - School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 45,418
Cash received from miscellaneous	772
Cash paid to employees for services	(62,674)
Cash paid to suppliers for goods and services	(62,439)
Net cash used by operating activities	<u>(78,923)</u>
Cash flows from non-capital financing activities:	
State grants received	1,303
Federal grants received	107,952
Net cash provided by non-capital financing activities	<u>109,255</u>
Cash flows from capital and related financing activities:	
Decrease in interfund loans	(24)
Acquisition of capital assets	(7,258)
Net cash used by capital and related financing activities	<u>(7,282)</u>
Cash flows from investing activities:	
Interest on investments	<u>483</u>
Net increase in cash and cash equivalents	23,533
Cash and cash equivalents beginning of year	<u>77,905</u>
Cash and cash equivalents end of year	<u><u>\$ 101,438</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (97,368)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,392
Depreciation	6,291
Decrease in accounts receivable	194
Increase in inventories	(3,689)
Increase in accounts payable	3,426
Increase in unearned revenue	2,469
Decrease in net pension liability	(11,004)
Decrease in deferred outflows of resources	3,517
Increase in deferred inflows of resources	<u>2,849</u>
Net cash used by operating activities	<u><u>\$ (78,923)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2020, the District received \$14,392 of federal commodities.

See notes to financial statements.

	Private Purpose Trust Scholarship
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 1,186
<b>Total assets</b>	<b>1,186</b>
<b>Liabilities</b>	-
<b>Net position</b>	
Restricted for scholarships	\$ 1,186

See notes to financial statements.



Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2020

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 1</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>-</u>
Change in net position	1
Net position beginning of year	<u>1,185</u>
Net position end of year	<u><u>\$ 1,186</u></u>

See notes to financial statements.

Mormon Trail Community School District

Notes to Financial Statements

June 30, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mormon Trail Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the Cities of Derby, Garden Grove, Humeston and LeRoy, Iowa, and the predominate agricultural territory in Wayne, Decatur, Lucas and Clarke Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt. The Capital

The District proprietary fund is the Enterprise, School Nutrition Fund, a non-major fund of the District. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for investments in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50
Improvements other than buildings	20-40
Intangibles	5-10
Furniture and equipment	5-20

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers and other school personnel with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenues are monies collected for meals that have not yet been served. The meal account balances will either be reimbursed, or will be used when meals are served. The meal account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation time; however, the unused amounts are not paid at termination, death or retirement. Accordingly, no accrual is made in the financial statements for compensated absences.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of income surtax, federal grant revenue received in advance, other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension expense, changes in assumptions in relation to OPEB and differences between expected and actual experience in relation to OPEB.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the other expenditures function.

(2) **CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS**

Since the depository resolution was exceeded by approximately \$622,000 at June 30, 2020, the District's deposits in banks at June 30, 2020 were not entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$1,681,236 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

(3) **DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: General Obligation Bonds	\$ 40,150
	Capital Projects: SAVE Bonds	34,474
		<u>74,624</u>
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: General Obligation Bonds	15,500
Total		<u>\$ 90,124</u>

The above due from/to amounts represents money due from one fund to another fund in order to record the related expenditures in the proper fund.

(4) **INTERFUND TRANSFERS**

The detail of the interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 174,230</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 16,220	62,648	-	78,868
Construction in progress	-	48,166	-	48,166
Total capital assets not being depreciated	16,220	110,814	-	127,034
Capital assets being depreciated:				
Buildings	2,792,819	-	-	2,792,819
Improvements other than buildings	303,829	-	-	303,829
Furniture and equipment	1,328,394	67,218	(12,000)	1,383,612
Total capital assets being depreciated	4,425,042	67,218	(12,000)	4,480,260
Less accumulated depreciation for:				
Buildings	1,497,847	56,474	-	1,554,321
Improvements other than buildings	27,374	15,192	-	42,566
Furniture and equipment	901,159	121,361	(12,000)	1,010,520
Total accumulated depreciation	2,426,380	193,027	(12,000)	2,607,407
Total capital assets being depreciated, net	1,998,662	(125,809)	-	1,872,853
Governmental activities capital assets, net	\$ 2,014,882	(14,995)	-	1,999,887
<b>Business type activities:</b>				
Furniture and equipment	\$ 88,714	7,258	-	95,972
Less accumulated depreciation	49,491	6,291	-	55,782
Business type activities capital assets, net	\$ 39,223	967	-	40,190

Depreciation expense was charged to the following functions:

### Governmental activities:

#### Instruction:

Other

\$ 2,063

#### Support services:

Administration

3,262

Operation and maintenance of plant

39,306

Transportation

91,922

136,553

56,474

Unallocated

Total depreciation expense - governmental activities

\$ 193,027

### Business type activities:

Food service operations

\$ 6,291



(6) LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ -	5,515,000	-	5,515,000	255,000
Revenue bonds	-	1,738,000	-	1,738,000	-
Unamortized bond premium	-	263,975	-	263,975	13,198
Capital lease	168,258	-	168,258	-	-
Compensated absences	4,329	-	4,329	-	-
Early retirement	-	9,097	-	9,097	7,581
Net pension liability	1,392,181	-	69,502	1,322,679	-
Total OPEB liability	50,576	-	15,524	35,052	-
Total	\$ 1,615,344	7,526,072	257,613	8,883,803	275,779
Business type activities:					
Net pension liability	\$ 50,269	-	11,004	39,265	-
Total	\$ 50,269	-	11,004	39,265	-

General Obligation Bonds

Details of the District's June 30, 2020 general obligation indebtedness is as follows:

Year Ending June 30,	Bond Issue of June 25, 2020			
	Interest Rates	Principal	Interest	Total
2021	4.00%	\$ 255,000	129,080	384,080
2022	4.00%	210,000	128,100	338,100
2023	4.00%	220,000	119,700	339,700
2024	4.00%	230,000	110,900	340,900
2025	4.00%	240,000	101,700	341,700
2026-2030	2.00-4.00%	1,305,000	390,200	1,695,200
2031-2035	2.00%	1,450,000	248,500	1,698,500
2036-2040	2.00%	1,605,000	97,500	1,702,500
Total		\$ 5,515,000	1,325,680	6,840,680

On June 25, 2020, the District issued \$5,515,000 general obligation school bonds, series 2020, to provide funds to construct, build, furnish, and equip an elementary school addition and to improve the site, and to pay costs of issuance for the bonds. During the year ended June 30, 2020, principal and interest paid were \$0 and \$0, respectively.

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 25, 2020			
	Interest Rates	Principal	Interest	Total
2021	2.85%	\$ -	25,592	25,592
2022	2.85%	152,000	47,367	199,367
2023	2.85%	157,000	42,964	199,964
2024	2.85%	162,000	38,418	200,418
2025	2.85%	166,000	33,744	199,744
2026-2030	2.85%	904,000	93,908	997,908
2031	2.85%	197,000	2,807	199,807
Total		\$ 1,738,000	284,800	2,022,800

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,738,000 of bonds issued in June 2020. The bonds were issued for the purpose of financing a portion of the costs of a school building addition and to pay the costs of issuance of the bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through July 1, 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the bonds is \$2,022,800. For the current year, principal and interest paid on the bonds and total statewide sales, services and use tax revenues were \$0 and \$258,668, respectively.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

#### Capital Lease

On June 22, 2018, the District entered into a capital lease agreement for the purchase of 3 busses. The lease bears interest at 3.55% per annum and is payable in two installments, with the first installment due on June 22, 2019.

The lease will be paid from physical plant and equipment levy revenues or from statewide sales, services and use tax revenues. This lease was paid off in fiscal year 2020.

Total payments made in relation to this lease totaled \$174,230 in principal and interest.

As of June 30, 2020, the cost of the leased assets were \$252,387, accumulated depreciation of \$126,195, with an ending book value of \$126,192.

#### Early Retirement

The District approved a voluntary early retirement plan for one employee effective for the 2019-2020 school year. The eligible employee must be at least fifty-five and the employee must have completed ten continuous years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirements benefit for the one eligible employee amounts to \$9,097 and consists of continued participation in the group health insurance plan for one year at the District's expense.

(7) **OPERATING LEASES**

The District had entered into various leases to lease copier equipment and a postage machine. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred.

The following is a schedule of future payments required under the operating leases which have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2020:

Year Ended June 30,	Amount
2021	\$ 10,169
2022	8,757
2023	8,718
2024	8,292
2025	1,382
	<u>\$ 37,318</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement were \$16,042.

(8) **PENSION PLAN**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$169,343.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$1,361,944 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.0235197%, which was an increase of 0.000726% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the District recognized pension expense of \$249,119. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,776	48,968
Changes of assumptions	145,884	-
Net difference between projected and actual earnings on IPERS' investments	-	153,475
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	32,684	11,127
District contributions subsequent to the measurement date	169,343	-
Total	\$ 351,687	213,570

\$169,343 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 29,699
2022	(28,042)
2023	(15,230)
2024	(17,776)
2025	123
	<u>\$ (31,226)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.600% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 2,418,372	1,361,944	475,823

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2020, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(9) **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	27
Total	27

Total OPEB Liability - The District's total OPEB liability of \$35,052 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. The total OPEB liability was rolled forward from the July 1, 2019 valuation date to the June 30, 2020 measurement date.

Actuarial Assumptions - The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	3.00% per annum.
------------------------------------------------	------------------

Differences between expected and actual experiences	(18,450)
Changes in assumptions	(12,442)
Net changes	(15,524)
Total OPEB liability end of year	\$ 35,052

Changes of assumptions reflect a change in the in the assumed retirement rate to better reflect that used by IPERS.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.15%) or 1% higher (4.15%) than the current discount rate.

	1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB liability	\$ 39,588	35,052	31,065

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 29,564	35,052	41,774

	of Resources
Differences between expected and actual experience	\$ 22,053
Changes in assumptions	8,147
Total	<u>\$ 30,200</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ (2,506)
2022	(2,506)
2023	(2,506)
2024	(2,506)
2025	(2,506)
Thereafter	(17,670)
	<u>\$ (30,200)</u>

#### (10) RISK MANAGEMENT

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and vision.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2020 were \$255,695.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### (11) AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$118,155 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.



(12) COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

In fiscal year 2020, the District entered into a commitment to purchase land for \$45,000, which will be part of the new school addition. This purchase closed on July 1, 2020.

In fiscal year 2020, the District entered into an agreement with a consultant for the new building addition. The balance remaining on this agreement as of June 30, 2020, is \$264,825. This agreement will be paid as work is performed by the consultant.

(13) CATEGORICAL FUNDING

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Home school assistance program	\$ 1,437
Early childhood programs	1,179
Professional development supplement	13,360
Teacher salary supplement	18,783
Four year old preschool state aid	58,621
Career and technical education	97
Teacher leadership state aid	6,595
Total	<u>\$ 100,072</u>

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the District, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the District. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the District's operations and finances.

(15) SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 17, 2021, which is the date the financial statements were available to be issued.

**(16) PROSPECTIVE ACCOUNTING CHANGE**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

## Required Supplementary Information

Budgetary Comparison Schedule of  
Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,852,781	44,010	1,896,791	2,097,775	2,097,775	(200,984)
Intermediate sources	8,815	-	8,815	12,000	12,000	(3,185)
State sources	2,094,970	1,303	2,096,273	2,090,729	2,090,729	5,544
Federal sources	130,911	122,303	253,214	268,500	268,500	(15,286)
Total revenues	4,087,477	167,616	4,255,093	4,469,004	4,469,004	(213,911)
Expenditures/Expenses:						
Instruction	2,420,928	-	2,420,928	2,605,250	2,825,250	404,322
Support services	1,114,461	-	1,114,461	1,354,000	1,554,000	439,539
Non-instructional programs	964	140,895	141,859	180,000	180,000	38,141
Other expenditures	568,254	-	568,254	352,934	380,000	(188,254)
Total expenditures/expenses	4,104,607	140,895	4,245,502	4,492,184	4,939,250	693,748
Excess (deficiency) of revenues over (under) expenditures/expenses	(17,130)	26,721	9,591	(23,180)	(470,246)	479,837
Other financing sources, net	7,520,676	-	7,520,676	-	-	7,520,676
Change in fund balance	7,503,546	26,721	7,530,267	(23,180)	(470,246)	8,000,513
Balances beginning of year	2,661,311	91,705	2,753,016	2,294,045	2,294,045	458,971
Balances end of year	\$ 10,164,857	118,426	10,283,283	2,270,865	1,823,799	8,459,484

See accompanying independent auditor's report.

Mormon Trail Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Mormon Trail Community School District's (District) budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$447,066.

During the year ended June 30, 2020, expenditures in the other expenditures function exceeded the amounts budgeted,

Mormon Trail Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Six Years\*  
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.023520%	0.022794%	0.022411%	0.022572%	0.023366%	0.024242%
District's proportionate share of the net pension liability	\$ 1,362	1,442	1,493	1,421	1,154	961
District's covered payroll	\$ 1,790	1,713	1,673	1,620	1,601	1,600
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.18%	89.24%	87.72%	72.08%	60.07%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	85.19%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Mormon Trail Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 169	169	153	149	145	143	142	129	118	103
Contributions in relation to the statutorily required contribution	(169)	(169)	(153)	(149)	(145)	(143)	(142)	(129)	(118)	(103)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 1,794	1,790	1,713	1,673	1,620	1,600	1,589	1,488	1,459	1,481
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

Mormon Trail Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



Mormon Trail Community School District

Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years  
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 14,246	6,202	5,637
Interest cost	1,122	1,975	2,015
Differences between expected and actual experiences	(18,450)	(2,412)	(3,540)
Changes in assumptions	(12,442)	3,871	-
Benefit payments	-	(6,298)	(5,402)
Net change in total OPEB liability	(15,524)	3,338	(1,290)
Total OPEB liability beginning of year	50,576	47,238	48,528
Total OPEB liability end of year	\$ 35,052	50,576	47,238
Covered employee payroll	\$ 1,276,895	1,223,918	1,147,106
Total OPEB liability as a percentage of covered-employee payroll	2.70%	4.13%	4.12%

See accompanying Independent Auditor's Report.

**Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.15%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	3.72%

## Supplementary Information

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## Mormon Trail Community School District

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue		
	Student Activity	Management Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 90,114	666,493	756,607
Receivables:			
Property tax:			
Delinquent	-	5,726	5,726
Succeeding year	-	76,150	76,150
<b>Total assets</b>	<b>\$ 90,114</b>	<b>748,369</b>	<b>838,483</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 3,396	-	3,396
Total liabilities	3,396	-	3,396
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	76,150	76,150
Total deferred inflows of resources	-	76,150	76,150
Fund balances:			
Restricted for:			
Management levy purposes	-	672,219	672,219
Student activities	86,718	-	86,718
Total fund balances	86,718	672,219	758,937
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 90,114</b>	<b>748,369</b>	<b>838,483</b>

See accompanying independent auditor's report.

## Mormon Trail Community School District

## Schedule 2

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2020

	Special Revenue		Total
	Student Activity	Management Levy	
Revenues:			
Local sources:			
Local tax	\$ -	345,192	345,192
Other	62,515	1,859	64,374
Total revenues	62,515	347,051	409,566
Expenditures:			
Current:			
Instruction:			
Regular	62,881	5,583	68,464
Special	-	1,750	1,750
Other	-	2,573	2,573
Support services:			
Student	-	142	142
Instructional staff	-	368	368
Administration	-	31,464	31,464
Operation and maintenance of plant	-	13,158	13,158
Transportation	-	6,223	6,223
Non-instructional programs	-	964	964
Total expenditures	62,881	62,225	125,106
Change in fund balances	(366)	284,826	284,460
Fund balances beginning of year	87,084	387,393	474,477
Fund balances ending of year	\$ 86,718	672,219	758,937

See accompanying independent auditor's report.

## Mormon Trail Community School District

Schedule 3

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Athletics	\$ 7,672	23,954	27,528	-	4,098
Drama/Play	5,615	15	404	-	5,226
Band/Chorus	1,007	1,290	869	-	1,428
Cheerleaders	540	547	-	-	1,087
Student Council	1,507	3,233	2,927	-	1,813
FCCLA	3,089	-	-	-	3,089
FFA	17,713	10,123	14,334	-	13,502
JR/SR Activities	13,530	996	367	-	14,159
Elementary Activities	18,949	8,887	6,746	-	21,090
Donations	-	770	770	-	-
Class of 2017	571	-	571	-	-
Class of 2018	190	-	190	-	-
Class of 2019	807	770	18	-	1,559
Class of 2020	6,263	-	3,121	-	3,142
Class of 2021	6,666	3,212	1,348	-	8,530
Class of 2022	2,965	7,674	3,004	-	7,635
Class of 2023	-	1,044	684	-	360
Total	\$ 87,084	62,515	62,881	-	86,718

See accompanying independent auditor's report.

Combining Balance Sheet  
Capital Projects Fund Accounts

June 30, 2020

	Capital Projects				
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	General Obligation Bonds	SAVE Bonds	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 1,019,865	41,613	5,716,248	1,737,985	8,515,711
Receivables:					
Property tax:					
Delinquent	-	1,581	-	-	1,581
Succeeding year	-	179,702	-	-	179,702
Accounts	51	-	-	-	51
Due from other funds	74,624	15,500	-	-	90,124
Due from other governments	21,743	-	-	-	21,743
<b>Total assets</b>	<b>\$ 1,116,283</b>	<b>238,396</b>	<b>5,716,248</b>	<b>1,737,985</b>	<b>8,808,912</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 75,448	10,750	696	-	86,894
Due to other funds	-	-	55,650	34,474	90,124
Total liabilities	75,448	10,750	56,346	34,474	177,018
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	179,702	-	-	179,702
Total deferred inflows of resources	-	179,702	-	-	179,702
Fund balances:					
Restricted for:					
School infrastructure	1,040,835	-	5,659,902	1,703,511	8,404,248
Physical plant and equipment	-	47,944	-	-	47,944
Total fund balances	1,040,835	47,944	5,659,902	1,703,511	8,452,192
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,116,283</b>	<b>238,396</b>	<b>5,716,248</b>	<b>1,737,985</b>	<b>8,808,912</b>

See accompanying independent auditor's report.

## Revenues:

## Local sources:

Local tax	\$ -	95,309	-	-	95,309
Other	9,620	12,985	-	-	22,605
State sources	258,668	513	-	-	259,181
Total revenues	268,288	108,807	-	-	377,095

## Expenditures:

## Current:

## Support services:

Instructional staff	824	36,318	-	-	37,142
Administration	724	61,007	15,500	-	77,231
Operation and maintenance of plant	-	1,750	-	-	1,750
Transportation	38,400	-	-	-	38,400

## Other expenditures:

Facilities acquisition	107,348	30,458	40,150	-	177,956
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## Long-term debt:

Bond issuance costs	-	-	63,424	34,489	97,913
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Total expenditures	147,296	129,533	119,074	34,489	430,392
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Excess (deficiency) of revenues over  
(under) expenditures

120,992	(20,726)	(119,074)	(34,489)	(53,297)
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## Other financing sources (uses):

Sale of capital assets	-	3,700	-	-	3,700
Issuance of general obligation bonds	-	-	5,515,000	-	5,515,000
Premium on general obligation bonds	-	-	263,976	-	263,976
Issuance of revenue bonds	-	-	-	1,738,000	1,738,000
Transfers out	(174,230)	-	-	-	(174,230)
Total other financing sources (uses)	(174,230)	3,700	5,778,976	1,738,000	7,346,446

Change in fund balances

(53,238)	(17,026)	5,659,902	1,703,511	7,293,149
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Fund balances beginning of year

1,094,073	64,970	-	-	1,159,043
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Fund balances end of year

\$ 1,040,835	47,944	5,659,902	1,703,511	8,452,192
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See accompanying independent auditor's report.

## Mormon Trail Community School District

Schedule 6

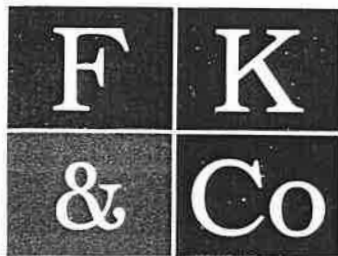
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$ 1,502,617	1,450,489	1,304,519	1,321,271	1,293,233	1,310,526	1,491,361	1,573,764	1,649,916	1,505,885
Tuition	190,206	191,019	210,996	163,812	141,380	155,315	113,701	143,651	169,985	177,944
Other	159,958	265,353	267,857	205,937	212,491	173,276	224,058	153,115	177,441	149,089
Intermediate sources	8,815	11,334	11,333	12,115	12,115	11,471	-	2,780	8,453	30,621
State sources	2,094,970	2,240,599	1,983,430	2,086,562	1,808,789	1,560,159	1,375,260	1,418,786	1,332,698	1,348,954
Federal sources	130,911	148,853	148,147	122,072	135,996	139,340	186,810	149,443	199,592	274,908
Total	\$ 4,087,477	4,307,647	3,926,282	3,911,769	3,604,004	3,350,087	3,391,190	3,441,539	3,538,085	3,487,401
Expenditures:										
Instruction:										
Regular	\$ 1,460,311	1,439,448	1,391,907	1,499,599	1,340,211	2,109,406	1,585,562	1,649,197	1,302,281	1,205,125
Special	419,015	422,995	425,855	356,190	368,449	-	339,299	234,009	349,498	400,547
Other	541,602	563,372	546,391	521,176	523,136	113,659	273,955	121,357	385,601	454,615
Support services:										
Student	41,601	41,704	42,254	40,978	36,186	20,323	30,728	29,060	25,872	78,470
Instructional staff	169,301	165,137	157,206	120,473	143,810	102,841	123,074	229,255	162,386	143,602
Administration	512,861	404,111	404,884	242,120	276,193	323,041	339,155	309,603	329,444	272,075
Operation and maintenance of plant	242,460	289,320	307,647	213,688	186,666	228,816	230,177	224,174	260,027	243,753
Transportation	148,238	151,392	564,681	173,089	174,412	185,680	231,809	186,219	171,442	172,255
Non-instructional programs	964	369	434	527	525	-	-	-	-	-
Other expenditures:										
Facilities acquisition	177,956	47,047	170,915	59,691	69,598	167,993	69,102	87,414	220,308	53,065
Long-term debt:										
Principal	168,258	84,129	-	-	-	-	140,000	135,000	135,000	135,000
Interest and other charges	5,972	8,960	-	-	-	-	4,350	7,523	9,952	11,525
Bond issuance costs	97,913	-	-	-	-	-	-	-	-	-
AEA flowthrough	118,155	119,647	114,512	112,764	105,672	106,117	103,582	100,864	99,873	114,933
Total	\$ 4,104,607	3,737,631	4,126,686	3,340,295	3,224,858	3,357,876	3,470,793	3,313,675	3,451,684	3,284,965

See accompanying independent auditor's report.





FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Mormon Trail Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District (District) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-20, I-B-20, I-C-20 and I-E-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items I-D-20 and I-F-20 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

February 17, 2021

Mormon Trail Community School District

Schedule of Findings

Year ended June 30, 2020

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-20 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of Mormon Trail Community School District (District) financial statements.

Condition – Generally, one or two individuals has control over each of the following areas for which minimal or no compensating controls exist:

- (1) Cash – initiating cash disbursement transactions and recording cash.
- (2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – recording, journalizing, posting and reconciling.
- (4) Disbursements – purchase order processing, check preparation, mailing and recording.
- (5) Capital assets – purchasing, recording and reconciling.
- (6) Long-term debt – recording, reconciling and performing cash functions.
- (7) Wire transfers – processing and approving.
- (8) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- (9) Transfers – preparing and approving.
- (10) Financial reporting – preparing, reconciling and approving.
- (11) Computer systems – performing all general accounting functions and controlling all data input and output.
- (12) Journal entries – writing, approving and posting.

Cause – The District has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The District should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Mormon Trail Community School District

Schedule of Findings

Year ended June 30, 2020

Response – The District will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-20 Preparation of Full Disclosure Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the District. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that District officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion – Response acknowledged.

I-C-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition – Material adjustments were made to assets, liabilities and expenditures balances and accounts as of June 30, 2020 and for the fiscal year ended June 30, 2020.

Cause – District policies do not require and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect – Lack of District policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's financial statements were necessary.

Mormon Trail Community School District

Schedule of Findings

Year ended June 30, 2020

Recommendation – The District should establish procedures to ensure all transactions are properly recorded and reported in the District's financial statements.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

I-D-20 Fixed Assets

Criteria – The District controls over fixed asset accountability are in need of improvement.

Condition - Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Cause - District policies do not require and procedures have not been established to ensure verification of fixed assets by a person who does not have custody of the fixed assets.

Effect – Lack of performing a physical verification of fixed assets could result in undetected errors or unauthorized activity.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets.

Response – We will review this situation.

Conclusion – Response acknowledged.

I-E-20 Fundraisers

Criteria – An effective internal control provides that all activity fund receipts are accounted for properly.

Condition - For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Cause - District policies do not require and procedures have not been established to ensure there are procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Effect – Lack of a fundraiser reconciliation could result in undetected errors and unauthorized activity.

Recommendation – The District should implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response acknowledged.

Mormon Trail Community School District

Schedule of Findings

Year ended June 30, 2020

I-F-20 Receipts

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition – Receipts are not deposited timely by the District. Currently receipts only appear to be deposited 2-3 times per week.

Cause – District policies do not require and procedures have not been established to ensure all receipts are deposited timely.

Effect – Lack of District policies and procedures resulted in District employees not depositing timely.

Recommendation – The District should establish procedures to ensure all receipts are deposited timely, preferably on a daily basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Mormon Trail Community School District

Schedule of Findings

Year ended June 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-20 Certified Budget – Expenditures for the year ended June 30, 2020 exceeded the certified budget amounts in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response acknowledged.

- II-B-20 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-20 Travel Expense - No expenditures of Mormon Trail Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-20 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Becky Stripe, Principal Spouse owns Rae's Auto Repair, LLC	Service and repairs	\$ 3,592

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions do not appear to represent conflicts of interest.

- II-E-20 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa

- II-F-20 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-G-20 Board Minutes – No transactions were found that we believe should have been approved in the District minutes but were not.

Instances were noted where the board minutes and the related schedule of bills were not timely published. Chapter 279.35 of the Code of Iowa requires that all board minutes be published within two weeks of the board meeting, and that the schedule of bills allowed be published as required by the above Code section.

Recommendation – We recommend that the Board meeting minutes and the related schedule of bills allowed be published within two weeks of the Board meeting as required per the Code of Iowa.

Recommendation – The District should ensure the depository resolution amount exceeds the actual cash balance in the bank to ensure compliance with Chapter 12C.2 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-K-20 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-L-20 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-M-20 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2020 audit.



Mormon Trail Community School District

Schedule of Findings

Year ended June 30, 2020

Beginning balance		\$1,094,073
Revenues/transfers in:		
Sales tax revenues	\$ 258,668	
Other local revenues	50	
Bank interest	9,570	268,288
		<u>1,362,361</u>
Expenditures/transfers out:		
School infrastructure construction	12,201	
Land purchased	62,647	
Equipment	47,582	
Other	24,866	
Transfers to other funds:		
Debt service fund	174,230	321,526
		<u>\$1,040,835</u>
Ending balance		

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-N-20 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.

II-O-20 Financial Condition – The Special Revenue, Management Levy Fund had a fund balance of \$627,219 at June 30, 2020. Total expenditures from this fund in fiscal year 2020 were \$62,225. As a result, the fund balance in this fund may be excessive.

As noted on the Statement of Net Position, the Governmental Activities had a deficit unrestricted net position of \$447,538 at June 30, 2020.

Recommendation – The District should ensure the balances in the Special Revenue, Management Levy Fund is reasonable. The District should also investigate alternatives to ensure the unrestricted net position balance in the Governmental Activities is positive.

Response – We will review the Special Revenue, Management Levy Fund for reasonableness. The District will also attempt to increase revenues so that the Governmental Activities will not show a deficit balance at year-end.

Conclusion – Response acknowledged.

II-P-20 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for students. However, we noted student activity accounts which do not appear to be related to co-curricular or extracurricular activities.

Recommendation – The District should review the activity in the Special Revenue, Student Activity Fund to ensure all transactions recorded in this fund are allowable pursuant to the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

Mormon Trail Community School District

Schedule of Findings

Year ended June 30, 2020

II-Q-20 Disbursement Compliance - It was brought to our attention that a District teacher may be working as an agent for a private company that the District uses to purchase school supplies. This may be in violation of Chapter 301.28 of the Code of Iowa which prohibits this practice.

Recommendation – The District consult legal counsel in relation to this issue.

Response – This issue has been addressed and is no longer a problem.

Conclusion – Response acknowledged.